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The Bond That Could Be Wiped Out by California's Wildfires.

A $200 million security, designed specifically for fire, dives 95% as PG&E is probed over disaster cause

The deadliest blaze in California's history is threatening to cause losses for investors who purchased the first catastrophe bond designed specifically to cover wildfire risk.

San Francisco utility giant PG&E Corp. PCG -0.06% sold the $200 million bond in August to insure against liability from future infernos. Three months later the Camp Fire in Northern California burned more than 18,800 structures and killed at least 85 people.

Investors will suffer significant losses if state investigators determine that PG&E was responsible for the November conflagration. PG&E said in a Nov. 13 filing that it has $1.4 billion in liability coverage, including the catastrophe bond, and expects to use all of it if found liable for the Camp Fire. A PG&E spokesman said the utility is participating in the investigation into the fire's cause.

Continue reading.

The Wall Street Journal

By Nicole Friedman

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